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ABSTRACT

The New York State Office of the Comptroller performed an audit of Tuition Assistance Program (TAP) and Supplemental Tuition Assistance Program (STAP) awards at the Interboro Institute (New York) for the 1989-90 through 1991-92 academic years. Interboro Institute is a proprietary degree-granting school that offers various programs leading to two-year degrees in occupational studies. TAP and STAP are student grant and scholarship programs administered by the Higher Education Services Corporation (HESC) to provide tuition aid to full-time students enrolled in approved programs. According to HESC's records, Interboro received 5,600 TAP and STAP awards totaling $9,343,317 on behalf of 3,056 students from 1989-90 through 1991-92. Out of a statistical sample of 200 awards totaling $340,354 for 192 students, 112 awards totaling $189,664 were disallowed. Awards in the sample were disallowed because students were not matriculated, were not in good academic standing, or were not meeting residency requirements. A statistical projection of audit disallowances to the entire population resulted in an audit disallowance of $4,751,877 which the auditors recommend that HESC recover with interest. The audit also noted violations of Public Health law, failure to promptly credit students for loan funds, misgrading of entrance exams, and failure to require a minimal passing grade for admissions. (JLS)

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H. CARL McCALL
STATE COMPTROLLER

A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
**OFFICE OF THE STATE COMPTROLLER**

November 15, 1996

ED 404 917

Mr. Richard Mills
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Robert J. Maurer
President
Higher Education Services Corporation
One Commerce Plaza - 14th Floor
Albany, NY 12255

Re: Interboro Institute
Report 93-T-5

Dear Mr. Mills and Mr. Maurer:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures used in administering the Tuition Assistance Program (TAP) and Supplemental Tuition Assistance Program (STAP) at Interboro Institute (Interboro) for the 1989-90 through 1991-92 academic years.

## Summary Conclusions

In accordance with Section 665(3)(b) of the State Education Law, we have determined that Interboro was overpaid $4,796,132 because school officials incorrectly certified students as eligible for TAP and STAP awards. From our statistical sample, we disallowed 112 awards totaling $189,664. A statistical projection of our audit disallowances to the entire population results in an audit disallowance of $4,751,877. We also disallowed 37 awards totaling $55,048 based on our review of other awards from outside our sample years which came to our attention during the audit.

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These disallowances, totaling $4,806,925, were brought to Interboro officials attention and they decertified a number of TAP and STAP awards totaling $10,793. Therefore, we determined that Interboro was overpaid a total of $4,796,132 in TAP and STAP awards. We recommend that HESC recover this amount plus applicable interest from Interboro.

We found that Interboro officials certified students as eligible for TAP awards who did not meet the school's published admission requirements. Students who are not properly admitted do not meet the TAP certification criteria for matriculation. Also, we found that TAP was awarded inappropriately to students who were not in full-time attendance, were not in good academic standing, and did not meet the residency requirements. Further, we found students whose TAP awards were not posted to the student accounts.

Additionally, we found other instances of noncompliance with the Education Law and Public Health Law which, although not resulting in TAP disallowances, should be addressed by Interboro management.

Certain matters came to our attention about the grading of students' entrance exams. These issues indicate the possibility of irregularities or illegal acts. We are reporting separately on these matters to the State Attorney General's Office.

**Background**

Interboro Institute is a proprietary degree-granting school located at 450 West 56th Street, New York, New York. Interboro offers various programs leading to two-year degrees in occupational studies. Interboro offers an Associate of Occupational Studies (AOS) Degree in a number of programs in fields including Secretarial Science, Business Administration and Ophthalmic Dispensing. These programs qualify eligible students for a variety of financial aid.

SED first identified problems with Interboro's admission policies during a field visit in June 1983. On November 30, 1983, SED wrote to Interboro requiring a management plan of action to correct nine problem areas and requesting a progress report for 13 other areas where weaknesses were identified.

In May 1984, SED wrote to Interboro again noting continuing concerns about serious deficiencies. SED still found weaknesses when it performed a follow-up visit in October 1984.

In March 1985, SED's Deputy Commissioner for Higher and Continuing Education wrote to Interboro noting management's lack of success in correcting the identified deficiencies. SED visited Interboro twice in 1985; in October 1985, SED wrote to Interboro noting Interboro's lack of significant progress in correcting the issues which were identified and stated that SED would be unable to continue the program's registrations (meaning the school could no longer offer courses). In December 1985, Interboro commenced an action in federal court (injunction) to prevent SED from de-registering its programs. The court denied the injunction in November 1986.

Interboro appealed the court's denial. Because of this appeal, SED did not initiate de-registration proceedings and the school continued in operation. The case was settled out of court and the State Education Department Commissioner, in May 1989, established an evaluation team to obtain updated information on the school's practices.

SED conducted another site visit at Interboro which ended in March 1990. The results were included in SED's final site visit report issued in December 1991 which found that Interboro was out of compliance in seven general areas, and concluded with the following statement: "Until Interboro brings its admission process and student support services into compliance with Commissioner's Regulations 52.2(d)(1) and 52.2(d)(2), the institution will no doubt continue to turn high school dropouts into college dropouts, at the expense of these disadvantaged students and State and Federal taxpayers." Further, SED reported there was a 44 percent attrition rate for the last four classes in the Ophthalmic Dispensing program. Graduates of that program who took SED's licensure examination, except for one occurrence, consistently scored below the statewide average. SED stated that the results of the licensure examination are an indicator of the ineffectiveness of Interboro's program in providing a quality education to its students and in preparing the students for employment. SED required that Interboro develop a plan of action to correct the deficiencies.

Subsequently, Interboro submitted a plan of action to correct the cited deficiencies. SED reviewed the plan and sought further clarification and details. SED then notified Interboro in February 1993 that the school's plan is still out of compliance with the Commissioner's Regulation, and that a further plan of action is necessary. In April 1993, Interboro submitted a further plan. Based on SED's review of this plan, it required that by July 1, 1994, Interboro submit a report on actions it is taking to improve its admission practices. Following another SED site visit in May 1994 and receipt and analysis of Interboro's July 1994 report, SED issued its February 28, 1995 report that concluded, "Interboro's current admissions criteria are still not adequate to establish a student's ability to undertake and successfully complete a college-level program." On August 9, 1995, SED notified Interboro of its determination that all the school programs, with the exception of the AOS program in Ophthalmic Dispensing, will be denied reregistration as of September 30, 1995 because Interboro failed to improve its admission practices. Interboro had notified SED of its intention to appeal the Department's decision.

On March 21, 1996 the Commissioner of Education overturned the September 30, 1995 decision. This decision also provided for the immediate initiation of further discussion with the school concerning the establishment of new admissions requirements and improvements in the school's remediation program. Additionally, SED staff will conduct a re-registration review to be completed by May 29, 1998 to determine if the school meets the requirements of the Commissioner's Regulations 52.2(d)(2).

The Commissioner's decision does not affect the disallowances for the students the school incorrectly certified as eligible for TAP and STAP awards as cited in this report.

Draft copies of our report were provided to HESC, SED and Interboro officials for their review and comments. HESC and SED agree with our findings and conclusions, while Interboro officials disagree with most of our audit disallowances. We have taken Interboro officials' response into consideration in preparing this report and have included their comments, as appropriate.

**Audit Scope**

The objective of our financial and compliance audit was to determine whether Interboro's management complied with appropriate laws and regulations for certifying students as eligible for TAP or STAP awards. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs. STAP is designed to provide up to one year of additional State aid for students who are educationally disadvantaged and in need of remediation.

According to HESC's records, Interboro received 5,600 TAP and STAP awards totaling $9,343,317 on behalf of 3,056 students in the three academic years 1989-90 through 1991-92. We audited a statistical sample of the school's records supporting 200 awards totaling $340,354 for 192 students that Interboro officials certified as TAP or STAP eligible for the above academic years.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Interboro which are included within our audit scope. Further, these standards require that we review and report on Interboro's internal control structure and its compliance with those laws, rules and regulations that are relevant to Interboro's operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit, we considered Interboro's internal control structure when determining our auditing procedures. Our consideration was limited to a survey of the internal control structure to obtain an understanding of the control environment and the flow of transactions through the accounting system and other systems supporting the certifications for student financial aid.

Interboro's management is responsible for complying with laws, rules and regulations. In connection with our audit, we performed tests of compliance with certain provisions of laws, rules, and regulations. However, our objective in performing these tests was to obtain reasonable assurance that the funds Interboro received from HESC were allowable, not to provide an opinion on Interboro's overall compliance with such provisions.

The results of our tests indicated that for the transactions and records tested, Interboro was not in substantial compliance with the applicable laws, rules and regulations, as noted in the following sections of this report.

## Audit Disallowances

The following table summarizes the disallowances that resulted from our audit.

| Type of Disallowance | Number of Awards | Amount | |
|---|---|---|---|
| **1989-92 SAMPLE DISALLOWANCES** | | | |
| Students Not Matriculated: | | | |
| Did Not Complete 10th Grade | 7 | $ 11,950 | |
| Below Age 19 | 3 | 5,050 | |
| Failed or Did Not Take Entrance Exam | 63 | 103,227 | |
| Below 745 on TABE Test | 4 | 7,899 | |
| No Interview | 1 | 1,825 | |
| No Dean's Approval | 33 | 59,756 | |
| Subtotal: Students Not Matriculated | 111 | $ 189,707 | |
| Less Duplicate Disallowances | 11 | 19,148 | |
| Net: Students Not Matriculated | 100 | $ 170,559 | |
| Students Not in Good Academic Standing | 12 | 18,400 | |
| Students Not Full-Time | 3 | 4,568 | |
| TAP Not Credited to Students' Accounts | 8 | 9,146 | |
| Students Not Meeting Residency Requirement | 2 | 2,874 | |
| Total Sample Disallowance | 125 | $205,547 | |
| Less Disallowances For Multiple Reasons | 13 | 15,883 | |
| Net Sample Disallowance | 112 | $ 189,664 | |
| Projected Disallowance | | | $4,751,877 |
| **DISALLOWANCES FOR NON-SAMPLED** | | | |
| Students Not Matriculated | 31 | $ 46,405 | |
| Students Not in Good Academic Standing | 4 | 6,787 | |
| Student Not Full-Time | 1 | 2,025 | |
| TAP Not Credited to Student's Account | 1 | 94 | |
| Student Not Meeting Residency Requirement | 1 | 1,425 | |
| Total Disallowance For Non-Sampled Years | 38 | $56,736 | |
| Less Disallowance For Multiple Reasons | 1 | 1,688 | |
| Net Disallowance For Non-Sampled Years | 37 | | 55,048 |
| Less TAP Decertified By Interboro | | | 10,793 |
| Total Disallowance | | | $4,796,132 |

The disallowances are discussed in the following sections of this report. Details of the statistical projection, as well as students' names, social security numbers and related information were provided separately to Interboro officials.

## Students Not Matriculated

*Criteria* - Section 661 of the Education Law (Law) states that a student must be matriculated in an approved program to be eligible for financial aid. Section 145-2.4 of the Commissioner's Regulations (Regulations) states a criterion for matriculation: "In accepting the student's application for enrollment, the institution has taken into account the capacity of the student to undertake a course of study and its own capacity to provide instructional and other support the student needs to complete the program." Section 52.2 of the Regulations also states "the admission of students shall be determined through an orderly process using published criteria which shall be uniformly applied."

Meeting this criterion is demonstrated when the student meets the school's established written admission criteria for the program. One of Interboro's admission requirements, as published in its catalog, is that students "must have graduated from high school or have obtained a high school equivalency diploma." Further, Interboro, in its 1988-90 and 1990-92 catalogs, also required that "all students will be given an entrance examination, except those who have previous successful college credits."

"Applicants who do not possess either a high school diploma or equivalency, but who demonstrate the ability to benefit from higher education, may be accepted for regular admission after:

(1) Passing the entrance examination, and
(2) Achieving a minimum score on the Test of Adult Basic Education (TABE) examination, and
(3) having been interviewed by, and
(4) receiving the approval of the Academic Dean."

SED, in its December 1991 final site visit determination of Interboro, notified school management that its published admission guidelines as described above did not meet the Regulation's requirement. SED's determination stated that students, therefore, "cannot be said to have been appropriately matriculated in degree programs at the institution."

*Audit Determination* - Interboro certified 100 awards from our statistical sample for students who did not demonstrate the capacity to complete the program. Since the students lacked the capacity to complete the program, they were not properly matriculated in accordance with Section 145-2.4 of the Regulations.

We found that TAP awards were certified for students who were not in compliance with Interboro's published admission policy. For example, students failed the entrance exam (students did not receive the minimum passing grade of 27) and the TABE and did not receive or received late, the approval of the Academic Dean. We also found that Interboro officials had no evidence that some entrance and TABE exams were administered and officials also misgraded other students' entrance exams. Further, we found that some awards were certified for students who were not properly matriculated because, as SED determined and notified Interboro officials in December 1991, the school's admission process did not ensure that students have the required capacity to complete the program.

In addition, we found that Interboro had no evidence that it had complied with the age and grade completion requirements for prospective students included in its published catalog for the 1988-89 academic year.

From the statistical sample years we disallowed 100 TAP awards totaling $170,559. We also disallowed 31 awards from years outside our statistical sample totaling $46,405 because the students were not properly matriculated. Interboro officials disagree with these findings.

*School Officials' Position* - Interboro states that its admission practice is different from the policies and procedures stated in its catalogs for high school graduates. Although Interboro's catalog requires all students to pass its entrance exam, Interboro argues that it has never required high school graduates and those with GEDs to take the exam.

*Auditors' Comments* - Section 52.2e(3) of the Regulations states "The institution shall establish, publish and enforce explicit policies with respect to: (iii) requirements for admission of students to the institution and to specific curricula, requirements for residence, graduation, awarding of credit, degrees or other credentials, grading, standards of conduct, disciplinary measures and redress of grievances." We have determined Interboro was not adhering to its published admission requirements. Further, there are no official published, and distributed, documents (catalog addendum; updates; bulletin; student handbook; etc.) made available to students, SED or the public, to support Interboro's use of other admission criteria. Interboro's catalog clearly states, "All students will be given an entrance examination, except those who have previous successful college credits. A passing grade on the entrance examination and TABE is required."

*School Officials' Position* - Interboro officials acknowledge that their catalog requires a passing entrance exam. However, they argue that ten students who scored within two points of the cut-off standards should not be foreclosed from higher education. They also disagree with the test results for nine students who they claim scored 27 or higher on the entrance exam.

*Auditors' Comments* - There is no provision in the school's catalog for accepting students who do not achieve the minimum score of 27 on the entrance exam. Also, we are not saying that Interboro cannot admit students who score less than 27 on the entrance exam, we are concluding that these students are not eligible for TAP. Further, we have reviewed Interboro's claim that nine students scored 27 or higher on the entrance exam and concluded that the documentation provided does not support their claim. In some cases, when we re-graded the exams, we still found the score to be less than 27. In other cases, we found that students took and passed a second entrance exam, administered after the term included in our audit sample. In the remaining cases, we did not accept the entrance exams because it appeared that they were changed by the grader to allow students to pass, as described later in this report.

*School Officials' Position* - For students not receiving the dean's approval, Interboro responded that "the academic deans at Interboro have, during the course of many years, largely delegated the approval procedure to the admissions office." Also, Interboro takes exception to our disallowance for failure to document the dean's approval. They state that certain students had sufficient documentation to evidence that they received the dean's approval prior to or during their first semester. Other students graduated or maintained good academic standing, so Interboro believes they demonstrated proper matriculation.

*Auditors' Comments* - The catalog is clear in noting the required "approval of the Academic Dean." Since the approval of the Academic Dean is a published requirement for admissions, it must be documented to support that all requirements for admission were met.

*School Officials' Position* - For students receiving the dean's approval late, Interboro points out the Commissioner's Regulation Section 145-2.4(d) which provides for retroactive matriculation if, "such retroactive action was necessary to correct clerical error or administrative delay in reviewing the application of a student who was in fact eligible for matriculation as of the retroactive date." Interboro also states that these students received the dean's approval anywhere from one to six months of their admission.

*Auditors' Comments* - We allowed Interboro to retroactively matriculate students up to the fourth week, at the time which Interboro earns its full tuition. At that point, Interboro should have all documents necessary to support that students are matriculated. We conferred with SED regarding acceptable time periods for such retroactive matriculation. SED stated that the approach we used was acceptable. They also stated that a clerical error such as a lost document or delay in proper administrative procedures may cause an occasional student's retroactive matriculation. However, SED stated the activities at Interboro do not appear to be occasional or infrequent.

*School Officials' Position* - Interboro maintains that the age and grade completion requirement for admissions was discontinued prior to the commencement of the summer 1989 term, and that the policies of its 1990-92 catalog were in effect during our audit scope period. They also state that if these requirements were in effect in Summer 1989, they cannot be statistically projected because they were not in effect the whole three year period.

*Auditors' Comments* - Interboro officials advised us that the 1990-92 catalog that discontinued age and grade completion requirements was not published or distributed to students until early 1990. Therefore, the age and grade completion requirements were in effect in the summer 1989 term. Further, our audit tests of statistically sampled student compliance with the published admission standards recognize changes in Interboro's admission requirements. We compare student admission documentation to the school's published requirement for the term that the student was admitted. A statistically sampled TAP award is representative of the entire population of awards. Therefore, it is appropriate to include all disallowed awards in the projection of our audit results to the entire population.

*School Officials' Position* - Interboro officials stated that they followed the admission standards published in the school's catalog. They contend that the standard minimum scale score for the TABE equivalent to the score required for admission to a registered business school was never suggested by SED.

*Auditors' Comments* - SED notified Interboro in December 1991 that its published admission guidelines did not meet the requirements in the Commissioner's Regulations for admission. SED stated that, "One would assume that a college's minimum acceptable score on the TABE would be no lower than the standard in newly-enacted Federal laws and New York State regulations concerning ability-to-benefit testing for students who lack a high school diploma but wish to be admitted to a non-degree school and eligible for Federal student aid. This new standard requires

students to demonstrate eighth-grade equivalency on a complete battery of the TABE." Based on this guidance to the school, we disallowed four TAP awards certified on behalf of four students who were admitted after December 1991 and did not meet the eighth-grade level on the TABE.

*School Officials' Position* - Interboro states that students who graduated or completed their program were properly matriculated, stating, "...we believe that a student's successful completion of his or her chosen AOS program is conclusive evidence of the student's ability to complete." Interboro also notes that in a 1979 letter from SED to the Comptroller's Office regarding a TAP audit of a different school, SED stated that it would be appropriate to use outcome to assess whether the students were properly matriculated.

*Auditors' Comments* - We asked SED's Deputy Commissioner for Higher Education and the Professions to review his 1979 letter and tell us whether this policy would be appropriate in Interboro's situation. SED's Deputy Commissioner responded that the school he wrote about in 1979 did not have the necessary records to support that the students were properly matriculated. He suggested (emphasis added) that in lieu of having matriculation documents, using graduation may be appropriate. However, in Interboro's case the school had matriculation documents. However, these documents did not support that the students met the Regulation's requirement for matriculation.

## Students Not In Good Academic Standing

*Criteria* - Section 665 of the Law requires that payment of student financial assistance be suspended for any student who loses good academic standing. Section 145-2.2 of the Regulations states that to maintain good academic standing a student must (1) make satisfactory academic progress towards completion of program and (2) pursue the program of study in which he or she is enrolled.

In order to meet the criterion of satisfactory academic progress, a student must have accrued at least a certain number of credits with at least a certain cumulative grade point average as outlined in SED's approved "Standard of Satisfactory Academic Progress For Purpose of Determining Eligibility For State Student Aid." A student is considered to be pursuing the approved program of study if, during each term of study for which an award is received, the student receives a passing or failing grade in at least a certain percentage of the minimum amount of study required to constitute full-time study.

When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. A student may regain such standing either by using the one-time waiver, making up the deficiency at his or her own expense, or remaining out of school for one year.

*Audit Determination* - We found students in our sample who failed to maintain good academic standing and were ineligible to receive an award, as follows:

(1) Unsatisfactory Academic Progress

Interboro officials incorrectly certified students for awards who did not accrue the required minimum number of credits, or did not achieve the required minimum cumulative grade point average.

(2) Non-Pursuit of Program

Interboro officials did not ensure that students were taking a course load sufficient to meet their respective pursuit of program requirements.

We found that 12 of the awards in our sample were for students who did not meet the good academic standing requirements, and therefore, were not eligible for TAP. These awards totaling $18,400 are disallowed. We also identified four awards for other years not in our statistical sample which are also disallowed because the students were not in good academic standing. These four awards total $6,787.

*School Officials' Position* - Interboro officials disagreed with six of these disallowances. They stated that three of these students had previously lost TAP eligibility and their awards at that time were appropriately decertified. Therefore, the students returned to good academic standing and regained their eligibility for a subsequent award. Interboro states that the other three students had medical reasons to support the issuance of a TAP waiver for the terms that they were not in good academic standing.

*Auditors' Comments* - We agree that Interboro decertified these awards. However, Interboro decertified the awards only after we provided the school with the list of awards included in our statistical sample. A statistically sampled TAP award is representative of the entire population of awards. Therefore, it is appropriate to include all disallowed awards, including the awards subsequently decertified by Interboro, in the projection of our audit results to the entire population. We have, however, deducted these decertified awards from the total disallowance. Further, a disallowed award does not return a student to good academic standing.

Interboro cited medical reasons for the other three students who did not maintain good academic standing. However, Interboro did not grant TAP waivers to these students.

## Students Not Full-Time

*Criteria* - Section 661 of the Law states that a student must be in full-time attendance, as defined by the Commissioner of Education, to be eligible for financial aid awards. Section 145-2.1 of the Regulations states that courses not recommended or required by the school as an integral part of the student's program shall not contribute to full-time study. Full-time study is defined as enrollment for at least 12 semester hours for a semester of 15 weeks or more. For TAP eligibility, a student enrolling in a full-time program that includes non-credit remedial courses must enroll in at least three credit hours for the first semester, and at least six credit hours for each semester thereafter. Also, SED's Chief Executive Officers (CEO) Bulletin #86-17 states that if a student repeats a course which he or she has already passed, the course cannot be included as part of the student's minimum full-time course load for financial aid purposes.

SED's CEO Bulletin No. 82-13 indicates "...to be eligible for a STAP award, a student must remain in full-time attendance." The definition of full-time study for STAP is the same minimum workload (12 semester hours) required for other State awards. Section 145-2.1(3)(ii) requires for STAP that at least half of the minimum full-time course load must be non-credit remedial work.

*Audit Determination* - We identified three awards totaling $4,568 from our statistical sample years and one award totaling $2,025 from outside our sample term paid on behalf of students who were not in full-time status. We disallowed two awards for students who were not in attendance; one award for a student who did not take enough remedial courses to remain eligible for the STAP award received, and one award for a student who repeated a course which he previously passed.

*School Officials' Position* - Interboro agrees with these disallowances and has decertified the awards for two of these students. Interboro stated that they inadvertently overlooked the other two awards when they were preparing the decertifications.

*Auditors' Comments* - We agree that Interboro decertified these awards. However, Interboro decertified the awards only after we provided the school with the list of awards included in our statistical sample. A statistically sampled TAP award is representative of the entire population of awards. Therefore, it is appropriate to include all disallowed awards, including the awards subsequently decertified by Interboro in the projection of our audit results to the entire projection of our audit results to the entire population. We have, however, deducted these decertified awards from our total TAP disallowance.

## TAP Not Credited to Students' Accounts

*Criteria* - Section 2205.3(e) of the Regulations requires that each student account be credited within seven days after receipt of a finalized award.

*Audit Determination* - We found 8 awards totaling $9,146 from our statistical sample, and $94 of an award from outside the sample years, that was not credited to the students' accounts. Since Interboro officials did not properly distribute the funds, the amount not credited is disallowed.

*School Officials' Position* - Interboro officials agree with our disallowances and have decertified four of these awards. They also posted two of the awards to the students' accounts. Interboro disagrees with including these awards in projecting the audit disallowances.

*Auditors' Comments* - Interboro submitted the appropriate documentation to HESC to decertify these awards after we provided the list of the awards included in our statistical sample, and before they provided necessary documents to the auditors. A statistically sampled TAP award is representative of the entire population of awards. The results of the sampled awards are projected to the entire population. Since Interboro decertified these awards only after we provided them the list of awards included in the statistical sample, we included the decertified awards in projecting our audit results to the entire population and deducted these decertified awards from the total disallowance.

## Students Not Meeting Residency Requirement

*Criteria* - Section 661 of the Law states "...an applicant for an award at the undergraduate level of study must...have been a legal resident of the state for at least one year immediately preceding the beginning of the semester, quarter or term of attendance for which application for assistance is made..."

*Audit Determination* - Interboro officials certified two sample awards totaling $2,874 and one award from outside the sample years of $1,425 for students who did not meet the residency requirement. The students were not legal residents of New York State for at least one year prior to the term for which financial aid was paid.

*School Officials' Position* - Interboro officials agreed with two of these disallowances and disagreed with the third. Interboro provided a 1990 tax return from the student's mother which claimed the student as a dependent.

*Auditors' Comments* - The TAP award we disallowed was for the Spring 1992 term. Interboro provided a 1990 tax return which does not document that the student was a resident of New York in 1991, one year prior to starting school and receiving TAP at Interboro. The student's file also contained records stating that she was attending a high school in the U.S. Virgin Islands from September 1986 to June 1991.

## Other Matters

We identified the following issues during our audit that warrant Interboro officials' attention.

## Immunization Not Met

Chapters 405 and 406 Session Laws of 1989 in amending the Public Health Law, require that all students attending colleges and universities in New York State, after August 1, 1990 shall provide adequate evidence of immunization against measles, mumps, and rubella. All colleges are forbidden by law to permit a student to take classes unless the student has submitted proof of a complete immunization. Failure to furnish such proof prevents the student from receiving his/her class schedule. This applies to students born on or after January 1, 1957. We found 12 students who did not furnish evidence of proper immunization as required.

## Program Requirements Not Met in An Approved Program

Section 145-2.4(c) of the Commissioner's regulations states: "A student shall be considered matriculated only if the courses pursued by the student are fully recognized at that time as contributing towards fulfillment by the student of the requirements for completion of the program." (Program means the registered degree, diploma, or certificate program in which the student is enrolled.) The regulation further states, "A student required to complete certain courses to make up deficiencies in background or training may be considered matriculated if acceptance and credit are not conditioned upon additional and special requirements designed to establish the qualifications of the student to pursue the program successfully. However, if credit

is conditional, depending upon satisfactory completion of certain special and additional requirements, then the student shall not be considered to be fully matriculated."

Interboro's catalog lists the specific courses required to be satisfactorily completed for students to be granted a diploma, certificate or degree. We found students taking courses which were inconsistent with the requirements of the approved program. Some students took courses which were not required for their programs, or which exceeded the program requirements, to the exclusion of required courses. Such evidence suggests that, although students may normally have enrolled in an approved program, they were taking courses that were inconsistent with the requirements of the approved program. We are recommending that SED review this matter and will not propose any related disallowances at this time.

## Possible Impropriety Over the Grading of Entrance Examinations

We found discrepancies involving the grading of the TABE and Interboro's entrance examination. We regraded both examinations and found numerous errors. We found wrong answers marked correct, correct answers marked wrong, miscalculation of total correct answers, two answers for the same question marked correct and transposition of scale scores and grade equivalents. Of greatest concern was the grading of the entrance exam. We have documented several instances of suspicious grading and possible alterations made to the exam results.

When we regraded 152 entrance exams for the sampled students, we found 106 instances in which our scoring was different from that of Interboro officials. Further, after regrading we found that 26 students did not achieve Interboro's minimum acceptable grade of 27. For those 26 students who did not meet the published admission criteria, we disallowed their TAP awards (see Students Not Matriculated).

## Refunds

At the time of our field work, five of the students within our sample had accounts with credit balances totaling $1,964. Interboro should pay all refunds promptly. We are referring this matter to HESC.

## Maintenance of Records

Our review of the sampled student records revealed many essential forms and supporting documentation were missing. This included the Academic Dean's Approval form required for admission, high school and college transcripts, immunizations records, TABE and entrance examinations. Interboro officials must ensure that all essential academic, financial, and supporting records are well kept to support the students' eligibility for TAP.

## Recommendations to the Higher Education Services Corporation

1. *Recover $4,796,132, plus applicable interest, from Interboro Institute for its incorrect TAP and STAP certifications.*

2. *Ensure that Interboro processes its student refunds promptly.*

**Recommendations to the State Education Department**

1. *Ensure that Interboro is in compliance with SED Regulations as they pertain to the other educational issues as stated in this report.*

2. *Investigate the apparent discrepancies in grading the entrance examinations.*

Major contributors to this report are David R. Hancox, Robert Blot, Frank Russo, Kenneth I. Shulman, David Louie, Kitty Cheung, and Donald Collins.

We wish to express our appreciation to the management and staff of Interboro Institute for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

R. H. Attmore

Robert H. Attmore
Deputy Comptroller

cc: Bruce Kalisch
Patricia A. Woodworth